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SUBJECT: ARGENTINA: AMBASSADOR DISCUSSES ECONOMY, FDI, & AG
CRISIS WITH GOVERNOR OF CHUBUT

REF: BUENOS AIRES 0131

Classified By: Ambassador E.A. Wayne for Reasons 1.4 (b,d)

¶1. (C) Summary: Ambassador Wayne met with Mario Das Neves, Governor of Chubut May 23. Most notably Das Neves (protect strictly) sharply criticized both sides for failure to resolve the agriculture strike, specifically criticizing the negotiations for acting in bad faith. He expressed fear that the problems could rip the country apart and said that it did not appear the GOA had a clear strategy to resolve the dispute. They also discussed Das Neves's new position in the Peronist Party (PJ) and his province's economic situation. The governor said his new PJ position made him responsible for coordinating PJ party strategy on the national level. He stated that the economy of Chubut continues to grow, driven by trade and investment, which is allowing for subsequent improvements in education and infrastructure. Before departing, the governor extended an invitation for the Ambassador to revisit his province, which resulted in an impromptu discussion of ecological challenges and the promise of renewable energy. End Summary.

NK Ally

¶2. (SBU) The Ambassador congratulated Governor Das Neves both on his gubernatorial reelection (which he won with over 70 percent of the vote) and his recent appointment to the PJ position of Secretary of Party Coordination. The governor described his role as "coordinating strategy" and added that he would be made provincial president of the party at the end of the month.

Oil, FDI, and Immigration Yield Growth

¶3. (SBU) The governor stated that the economy of Chubut continues to grow, driven by exports of petroleum, aluminum, fish, and wool. He claimed Chubut was responsible for 50% of Argentina's petroleum exports, 90% of its aluminum exports, and a major share of its fish and wool production. Chubut's growth is augmented by foreign investment (about \$650 million this year), the recent ten-year petroleum concession extension agreement, and discovery of a sizeable new oil reserves by Pan American Energy (ref A), a joint venture of British Petroleum and Argentine-owned Bidas Corporation. He suggested that a new find may be confirmed in the weeks ahead. Ambassador Wayne highlighted the positive involvement and investment of American companies, such as General Electric and Occidental Petroleum. Das Neves agreed, noting that General Electric (GE) was a partner for past infrastructure projects and could have a role in future initiatives that would add significant value for the province, including an upcoming energy pipeline project. Ambassador Wayne further mentioned that the Embassy could serve as an interlocutor with GE or other U.S. companies if needed. He could also work with the governor to develop

exchange and cooperation with the U.S. on energy related research and exploration. The province of Chubut could productively develop contacts with energy-rich states such as Texas and Oklahoma. When asked if he would be visiting the U.S., the governor responded that he had plans to visit in the near future.

14. (U) Economic activity is fueling job creation sufficient to give the province 3.7% unemployment, the lowest in the country, necessitating a significant influx of Bolivian and Paraguayan immigrants. Ambassador Wayne marveled at Chubut's potential for eco-tourism with its unique whale and penguin populations. The governor agreed, but noted that Comodoro Rivadavia, the provincial capital, is more than 12 hours flying from North America with limited flights available. Thus, he hoped for increased airline connections to the capital.

15. (U) The Ambassador observed that Chubut was in an enviable position, having a combination of extensive natural resources and a diverse economy along with a relatively low population. Das Neves affirmed this and noted that it has allowed him to use revenues to improve the provincial education and health systems.

GOA Not Addressing Root Cause of Ag Strikes

16. (C) The Ambassador noted recent quotes from Das Neves in the press criticizing GOA handling of the agricultural crisis. The governor (protect strictly) replied that at the age of 57 he had seen many conflicts in Argentina and had grown inured to a lot of "noise," but this was the worst

strike he had seen. He said that, after 72 days of a strike interrupted several times by talks, it was fair to conclude that (protect strictly) both sides had failed. He argued there was bad faith and mistrust on both sides -- hardly the conditions for successful negotiations. The public's perception was that both sides were acting capriciously. Das Neves notes his province is not a major soy producer or agricultural exporter, but he feared the GOA was running the risk of letting the farm crisis rip the country apart. The GOA did not have a convincing peacemaking plan or communication strategy, and he claimed he had conveyed this earlier the same day to former president NK.

No News on Hydrocarbon Tariff Export Increase

17. (SBU) When asked about progress on the hydrocarbon tariff dispute (ref A), Das Neves said that he was in contact with some of the same people as the Ambassador. He claimed he wanted to resolve the situation and ensure the continued investment flow and new exploration in his province.

From Invitation to Environmental Discussion

18. (SBU) Before leaving, Governor Das Neves extended to the Ambassador an invitation to revisit his province. The Ambassador recalled his last trip fondly, saying that he enjoyed touring the cherry farm which exported to the United States. The governor said that recent environmental developments were adversely affecting the cherry growing season. He claimed Chubut's average temperatures had risen seven degrees Celsius in the last 20 years, and snow was no longer falling on the coast. He said the higher temperatures were enabling wine production to move south into Chubut territory. He went on to note that water was not an issue thanks to the fresh water supplied by the Chubut and Chico Rivers, and that the abundance of water in the province was making possible significant land reclamation. Ambassador Wayne expressed his concern about the environmental changes, and asked about the renewable energy ventures, particularly wind farms, that he learned about the last time he came to Chubut. Das Neves responded that the provincial government had a stake in the wind farm initiative, which he believed

would be very profitable and ready in 2009. He said private companies had already contracted to buy the electricity at higher prices needed to cover generation costs. The Ambassador congratulated him on his progress.

Comment

19. (SBU) With NK recently naming Das Neves both PJ Secretary of Party Coordination and provincial president of the party, it appears the governor is back in the good graces of the Kirchners, if indeed he ever left them. News sources reported NK as "furious" at comments by Das Neves criticizing the GOA, and Cabinet Chief Alberto Fernandez in particular, for the government's response to the agriculture crisis.
WAYNE